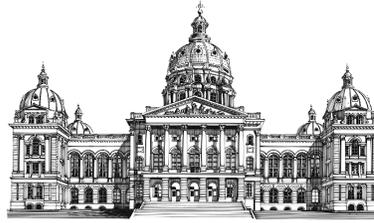

Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
June 30, 1993

Iowa Lottery

ISSUE

A historical review of the Iowa Lottery.

AFFECTED AGENCIES

Lottery Division of the Department of Revenue and Finance (DRF)

CODE AUTHORITY

Chapter 99E, Code of Iowa

BACKGROUND

The Iowa Lottery was created by the 1985 General Assembly. The original legislation directed Lottery profits be deposited to dedicated funds and used for the purpose of economic development. The 1990 General Assembly amended the law, directing Lottery profits be placed in the Committing the Lottery to the Environment, Agriculture, and Natural Resources (CLEAN) Fund. The 1991, 1992, and 1993 General Assemblies have directed the majority of the Lottery profits be deposited to the General Fund.

CURRENT SITUATION

Attachment A illustrates the percentage of Lottery revenues returned to the public has risen steadily since FY 1986. In the Lottery's initial year, 47.6% of revenues were returned as prizes as compared to 57.8% in FY 1992. Transfers to other State funds have decreased from 29.5% of total revenues in FY 1986, to 24.4% in FY 1992. Expenses for Lottery operations, calculated as a percentage of total revenues, have declined from 20.7% in FY 1986 to 17.3% in FY 1992.

A preliminary analysis of FY 1993 revenues and expenditures indicate these trends are continuing.

ALTERNATIVES

This Issue Review is presented for informational purposes only.

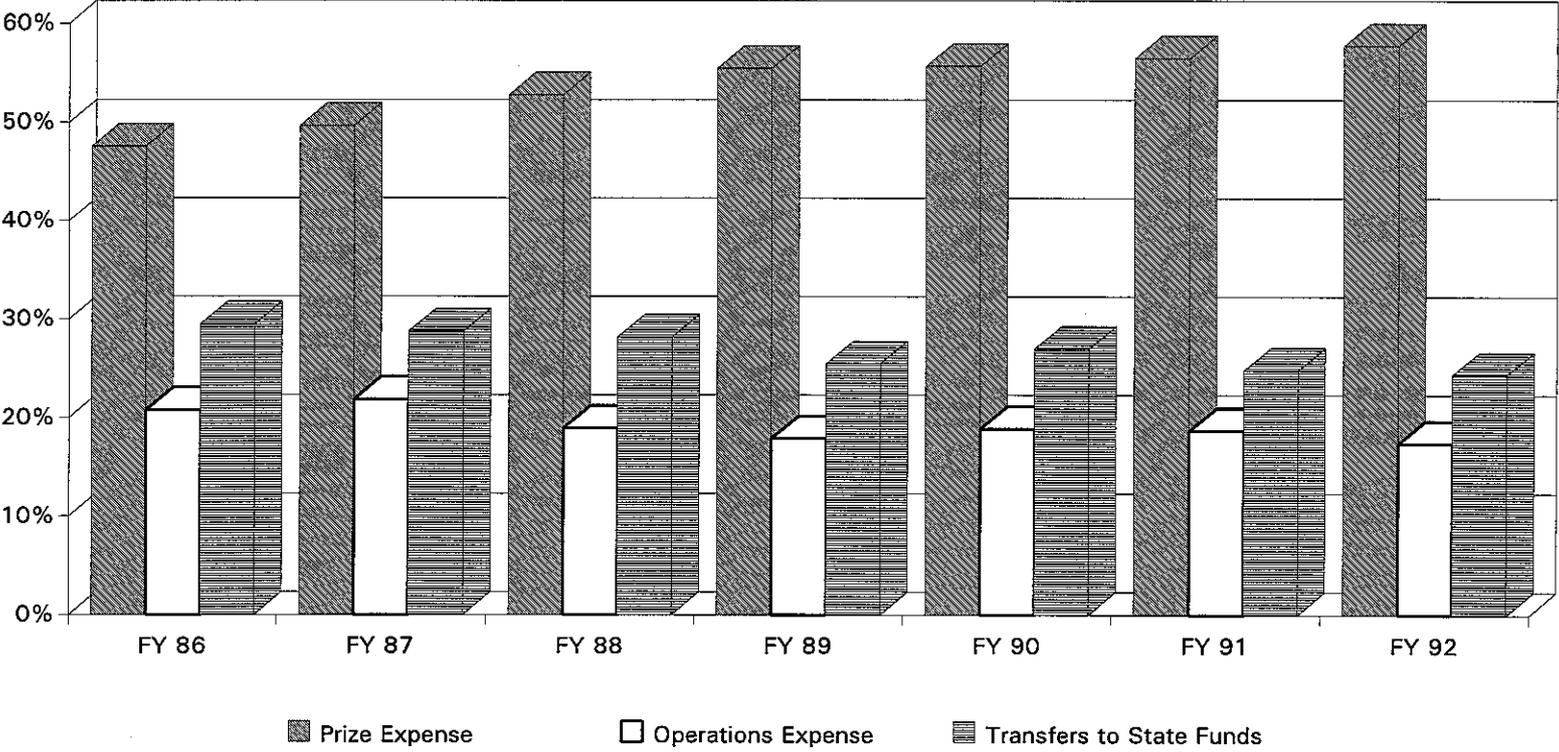
BUDGET IMPACT

The amount of Lottery revenue returned as prizes or expended on operations impacts the amount of Lottery profits available to the General Fund. The percentage of Lottery profits returned as cash prizes is a function of the Lottery Commission's selection of games to offer and the purchaser's selection of which games to play.

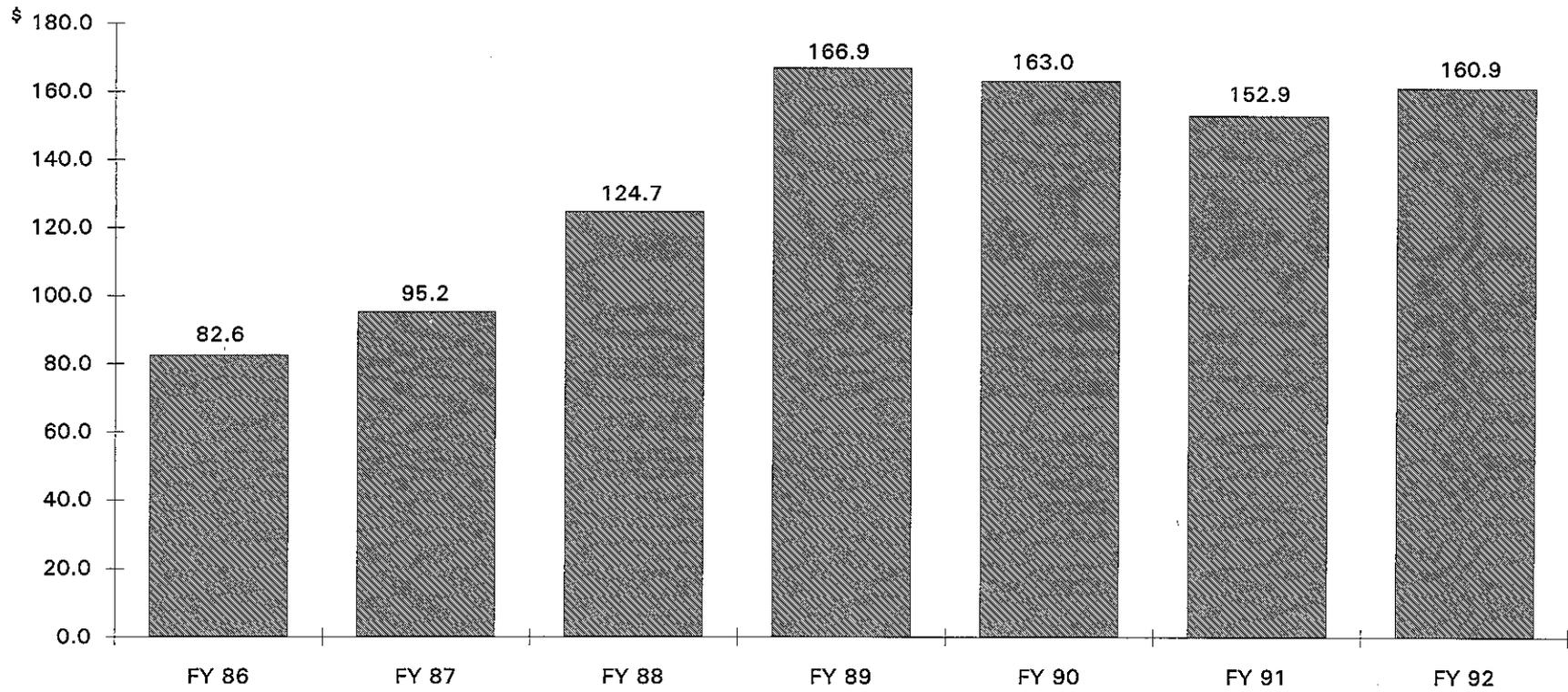
Since its initiation in FY 1986, the Iowa Lottery has generated a total of \$946.3 million in revenues through the end of FY 1992. Of this amount, \$515.1 million (54.4%) has been awarded in prizes, while \$178.4 million (18.9%) has been expended on Lottery operations. The remaining revenues were transferred to or expended on various State programs. Lottery profits transferred or expended over the first 7 fiscal years have totaled \$250.7 million (26.5%). (See Attachments B & C)

STAFF CONTACT: Jeff Robinson (Ext. 16767)

Lottery Expenses as a Percent of Total Revenues



Lottery Revenue (in millions)



Includes interest, but not State sales tax.

Iowa Lottery Balance Sheet

	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1986 Thru FY 1992
Beginning Balance	\$ (211,260)	\$ 1,591,870	\$ 1,366,541	\$ 1,567,857	\$ 3,337,829	1,180,616	1,264,512	
Revenues *	82,009,380	94,563,274	124,031,421	165,892,712	161,897,653	152,024,671	159,959,366	940,378,477
Interest	600,850	629,909	676,125	1,000,022	1,141,755	909,931	959,780	5,918,372
Total Revenue	<u>82,610,230</u>	<u>95,193,183</u>	<u>124,707,546</u>	<u>166,892,734</u>	<u>163,039,408</u>	<u>152,934,602</u>	<u>160,919,146</u>	<u>946,296,849</u>
Prize Expense	39,302,722	47,255,945	65,820,798	92,563,897	90,818,207	86,382,329	92,939,035	515,082,933
Operations	17,140,398	20,785,246	23,554,835	29,820,997	30,716,498	28,524,746	27,877,205	178,419,925
Total Expense	<u>\$ 56,443,120</u>	<u>\$ 68,041,191</u>	<u>\$ 89,375,633</u>	<u>\$ 122,384,894</u>	<u>\$ 121,534,705</u>	<u>\$ 114,907,075</u>	<u>\$ 120,816,240</u>	<u>\$ 693,502,858</u>
TRANSFERS								
General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,309,931	36,781,976	38,091,907
CLEAN Fund	0	0	0	0	0	35,894,355	0	35,894,355
REAP Fund	0	0	0	0	0	0	2,500,000	2,500,000
Iowa Plan	23,950,347	26,901,355	34,507,059	41,714,111	43,245,567	0	0	170,318,439
Gambler's Assistance **	413,633	475,966	623,538	834,939	815,197	764,655	0	3,927,928 ***
Total Transfers	<u>\$ 24,363,980</u>	<u>\$ 27,377,321</u>	<u>\$ 35,130,597</u>	<u>\$ 42,549,050</u>	<u>\$ 44,060,764</u>	<u>\$ 37,968,941</u>	<u>\$ 39,281,976</u>	<u>\$ 250,732,629</u>
Expense & Transfers	<u>\$ 80,807,100</u>	<u>\$ 95,418,512</u>	<u>\$ 124,506,230</u>	<u>\$ 164,933,944</u>	<u>\$ 165,595,469</u>	<u>\$ 152,876,016</u>	<u>\$ 160,098,216</u>	<u>\$ 944,235,487</u>
Ending Balance	<u>\$ 1,591,870</u>	<u>\$ 1,366,541</u>	<u>\$ 1,567,857</u>	<u>\$ 3,526,647</u>	<u>\$ 781,768</u>	<u>\$ 1,239,202</u>	<u>\$ 2,085,442</u>	
Sales Tax	<u>\$ 3,270,826</u>	<u>\$ 3,787,555</u>	<u>\$ 4,971,585</u>	<u>\$ 6,644,037</u>	<u>\$ 6,451,642</u>	<u>\$ 6,081,642</u>	<u>\$ 6,406,830</u>	<u>\$ 37,614,117</u>

* Does not include sales tax.

** The Gamblers Assistance appropriation for FY 1992 was made from the General Fund (\$348,272).

*** In FY 1991, \$695,041 of Gamblers Assistance funds were transferred to the General Fund.

NOTE: The Lottery received a \$3,159,700 start-up appropriation from the General Fund in FY 1986, which was repaid that year.